



August 23, 2005

Comment 44

Chief, Regulations and Procedures Division
Alcohol and Tobacco Tax and Trade Bureau
ATTN: Notice No. 49
P.O. Box 14412
Washington, D.C. 20044-4412
E-mail: nprm@ttb.gov

CAWG OFFICERS

Bennett Drake, *Chairman*
Rodney Schatz, *Vice Chairman*
Scott Scheid, *Vice Chairman*
Steve McIntyre, *Secretary*
Dennis Atkinson, *Treasurer*
Karen Ross, *President*

BOARD OF DIRECTORS

District #1

Ronald Bartolucci, *Finley*
W. Andrew Beckstoffer, *St. Helena*
Hector Bedolla, *Geyserville*
Jason Dolan, *Ukiah*
Andy Hoxsey, *Napa*
Michael Sangiacomo, *Sonoma*

District #2

John Crossland, *Templeton*
Anthony J. Domingos, *San Miguel*
Jeff Frey, *Santa Maria*
Steve McIntyre, *Soledad*
Scott Scheid, *Greenfield*

District #3

Bruce Fry, *Lodi*
Kurt Kautz, *Lodi*
Kimberly Ledbetter-Bronson, *Lodi*
Rodney Schatz, *Lodi*
Ken Wilson, *Clarksburg*

District #4

Tom Berryhill, *Ceres*
Jeff Brown, *Tracy*
Ken Deaver, *Plymouth*

District #5

Bill Chandler, *Selma*
Ken Macklin, *Visalia*
Stephen Schafer, *Madera*
Eric Shannon, *Visalia*

District #6

Dennis Atkinson, *Lebec*
Mark Fanucchi, *Bakersfield*

District #7

Bennett Drake, *Tomecula*

DIRECTORS- AT- LARGE

Barry Bedwell
Nat DiBuduo
Glenn Proctor
Bill Turrentine
Kim Waddell, PhD.

The California Association of Winegrape Growers (CAWG) appreciates this opportunity to comment on the proposal to change the minimum content requirement for vintage date statements on some wine labels. CAWG was established in 1974 to be an advocate for growers on public policy, industry affairs, and research and education programs to enhance the business of growing California winegrapes. Our membership represents the growers of approximately sixty percent of the annual grape tonnage crushed for wine and concentrate.

CAWG opposes the TTB proposal to lower the minimum content requirement for vintage date on wine labels bearing a state, multi-state, county, or multi-county appellation of origin from 95% to 85% while maintaining the 95% vintage date requirement for wine labeled with a viticultural area appellation of origin.

Dual Vintage Date Standards Add to Consumer Confusion

This proposal to lower the vintage date requirement for some wine labels does nothing to enhance information for the consumer. In fact, creating dual vintage date standards rather than the current single standard approach adds confusion to wine labels which are already somewhat of a mystery to the vast majority of consumers who are not wine aficionados. As proposed, a Napa County 2002 wine would be made from 85% of the grapes harvested in that year but a Napa Valley 2002 wine would be made from 95% of the grapes harvested in that year.

The results of a consumer survey (summary attached) completed in June, 2005, by *Wine Opinions*, a research provider to the wine industry, clearly show that vintage date is an important factor influencing the consumer wine purchase decision. The type or varietal of wine and the price of wine are most important. After these, the brand of wine was the next most important consumer consideration. Closely behind brand and nearly equal in importance was the fact that the wine is vintage dated and the appellation of origin of the wine. Survey participants strongly exhibited the opinions that both quality and truth in labeling are important to them. Approximately two-thirds of the survey participants agreed if vintages are blended, that information should be on the wine label. (Sixty percent of marginal wine buyers and 65% of core wine buyers believed that vintage blend information should be on the label.)

Survey participants felt that vintage dating is useful in determining if a wine should be drunk now or aged for later consumption. One-half of the respondents believed that weather each year can yield wines of different quality and flavors. Consumers are unlikely to believe that any advances in grape growing and winemaking have or will render vintage dating unimportant. The survey does show a misperception by about a third of all consumers that the vintage date refers to the year wine was bottled. Diluting the restrictions and meaning of the vintage date will only further contribute to consumer confusion.

Representing wine and concentrate grape growers.

601 UNIVERSITY AVENUE, SUITE 135 • SACRAMENTO, CALIFORNIA 95825-6738

PHONE: (916) 924-5370 • TOLL FREE: (800) 241-1800 • FAX: (916) 924-5374 • E-MAIL: info@cawg.org • WEBSITE: WWW.CAWG.ORG

U.S. Standards Must be Enforced

Failure of the government to implement programs to assure compliance by foreign producers should never be justification for lowering U.S. standards! Rather than reducing the U.S. requirement for minimum content, TTB should pursue vigorous enforcement of the U.S. regulations to ensure that U.S. wineries are not at a competitive disadvantage from imported wine that has a lower requirement for vintage dating.

One of the primary reasons cited by the petitioner for requesting the change in the minimum content vintage date requirement is competition from wines produced in other countries with different requirements. The petitioner suggests that domestic producers of vintage wine may be competing with foreign producers that do not conform to the 95 percent standard. Although the 95 percent rule applies equally to foreign vintage wines imported into the United States, regulators in the U.S. do not have access to the records of foreign producers to verify that they follow the 95 percent rule for wines they export to the United States.

Given the surge in the volume of imported wines in the past few years, CAWG is especially interested in making sure that imported product meets all U.S. standards. A walk down the wine aisle at the supermarket can be exciting but intimidating with the dizzying array of wines offered from around the world! It seems likely that a consumer would make the assumption that all wines are held to the same standards.

It is unfair if imported product is allowed to come in at a competitive advantage due to a lack of regulatory vigilance to ensure compliance with U.S. standards. Importers must be held accountable for their product. We understand that TTB *may* require importers to provide supporting documentation that their imported wine in the bottle meets TTB regulations with the label claims. We believe there should be random and routine requests for documentation to verify that imported bottled wine is complying with the label claims requirements. This is just one suggestion for measures TTB could take to fulfill its obligation to assure compliance with U.S. standards.

The U.S. Should Set Its Own Standards

By not aggressively pursuing steps to ensure imported wines comply with U.S. standards, the government is effectively allowing foreign producers to set our standards. The U.S. has a rigorous process for establishing regulations that respond to the needs of the consumer and of the industry. Our winemaking standards and label requirements reflect years of careful thought and public discussion.

It is interesting the petitioner cites the differences in vintage date percentages of major winemaking countries as a reason to change the U.S. vintage date requirement. However, several of those countries cited for lower vintage date requirements also have different - and higher - varietal content requirements. For example, the success of Australian wine producers who have enjoyed dramatic growth in the U.S. wine market is often used as the reason for changing the U.S. vintage date standards. The Australia minimum quantity of grapes from a given vintage in order to be labeled with the vintage is 85 percent. Its minimum content requirement for varietal labeling is also 85 percent while the U.S. requirement is 75 percent for state and county appellations of origin.

While we appreciate the desire of winemakers for maximum flexibility to compete in the global market, we believe our current standards for vintage and varietal content requirements provide winemakers the tools they need to meet consumer expectations for American wines. CAWG strongly believes our standards reflect a positive point of difference and should be maintained and promoted to consumers.

Consumers understand product differentiation. The reflection of the year and the influence of Mother Nature on the grapes that make the wine speak eloquently to our agricultural heritage. Consumers will be better served by a coordinated campaign to create greater awareness about the meaning of vintage dating, i.e., the year the grapes are harvested. We should not sacrifice this authenticity and what should be our competitive advantage and California's greatest asset – an ideal climate to produce hallmark quality grapes and wine.

Economic Factors

The petitioners cite economic factors involving competition from foreign producers. We acknowledge there could be some economic benefit to processors by allowing the blending of a higher percentage of vintages. However, we also fear there could be negative economic impacts to growers in the form of deferred grape payments or the necessity to absorb grape processing costs if wineries do more extensive outsourcing of bulk wine. Growers are concerned that a change in the vintage date requirements could lead to wineries carrying a surplus of wine from a large harvest at lower prices for blending purposes, thus buying fewer grapes in subsequent years. This would force growers to make bulk wine with the grapes they couldn't sell, leaving them at risk of lower prices in the bulk market in addition to paying for the processing costs.

TTB is not authorized to mediate the economics of the wine business. Its role is to assure the consumers' interest is served through truthful, accurate labeling and product integrity.

Conclusion

TTB should reject the proposal to lower the minimum content requirement for vintage dating to avoid additional consumer confusion about wine labels. Furthermore, TTB should pursue vigorous actions to implement programs to assure compliance by foreign producers with all U.S. standards and verify label claims for imported bottled wine certificates of label approval.

Respectfully,

A handwritten signature in cursive script that reads "Karen Ross".

Karen Ross
President